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SIPDIS

STATE FOR NEA/I AND ISN/CPI (CHALMERS)

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TAGS: [EFIN](#) [ECON](#) [KNNP](#) [PTER](#) [PARM](#) [IR](#) [IZ](#)
SUBJECT: CBI SAYS BANK SEPAH NOT LICENSED IN IRAQ

REF: A. BAGHDAD 1893
[1](#)B. STATE 63693

Classified by Economic Minister Counselor Charles P. Ries for reasons 1. 4 (b) and (d).

Summary

[1](#)1. (S) The Governor of the Central Bank of Iraq (CBI) told us on July 9 that the CBI has not and will not grant Bank Sepah a license to operate due to its designation under UNSCR 1747. The CBI could not, however, confirm that Bank Sepah has not established un-licensed operations in the country. The CBI is refusing any new license requests by Iranian banks pending clear guidance from the GOI, including a recent request by Bank Melli to participate in the dollar currency auction. The CBI Deputy Governor personally fears Iranian retribution for CBI actions against Iranian banks. End Summary.

No License for Bank Sepah

[1](#)2. (C) Central Bank of Iraq Governor Sinan Shabibi and Deputy Governor Ahmed al Jabouri confirmed to Treasury Attache and Econoff on July 9 that Iraq has not and will not grant Bank Sepah a license to operate in Iraq due to its designation under UNSCR 1747. The CBI could not confirm, however, whether Sepah had established any type of operations in the country that did not require CBI interaction. (Note: PRT members provided Treasury Attache with anecdotal reports of Bank Sepah operations in Najaf and Karbala. We will request clarification and confirmation. End Note.)

[1](#)3. (C) Shabibi said that the CBI, operating within the established two-step bank services licensing process and based on the technical merits of their application, granted Bank Sepah in May 2007 a "pre-approval to establish" banking services in Iraq. This "pre-approval" was pending a secondary review of their business plan and a required "character assessment." Al Jabouri said that following receipt of their business plan, the required review process noted that Bank Sepah was a designated entity under UNSCR 1747 and CBI therefore determined it would not grant the bank the final license to operate.

Bank Melli

[1](#)4. (C) Regarding the operations of Bank Melli, Bank Saderat and the Regional Cooperative Bank, the CBI confirmed to us that they had recently refused a Bank Melli license application to participate in the dollar currency auction. We provided Shabibi ref B points outlining Bank Melli's

disreputable ties, urged that the GOI revoke Bank Melli's license to operate, and reminded the CBI of its obligations under UNSCR 1803 to exercise vigilance in their scrutiny of these banks' activities.

15. (C) Shabibi said that given the sensitivities surrounding the Iranian banks issue, he decided to forbid the granting of any new Iranian bank license requests pending specific guidance from the MFA and the PM's office. He said he has sent multiple communications to the PM and Council of Ministers advising them of this decision and requesting their specific guidance, but he has not received a response. He asked for Embassy assistance in extracting a position from the GOI. (Comment: We are taking the request under advisement; the GOI's silence may be their way of acceding to our position without directly provoking the Iranians. End comment.)

Fears of Iranian Retribution

16. (S) In a personal aside following the meeting, al Jabouri told us that his interactions with us and the Iraqi government on the Iranian banks issue causes him to fear for his personal safety. He said "the Iranians have powerful friends and protectors" within the GOI and he fears retribution for taking decisions against Iranian entities. He said "the Iranians know you are talking to us about this."

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